

EXHIBIT 4

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944-60-25 Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General

25-1 Paragraph 450-20-55-17A states that Subtopic 450-20 does not prohibit (and, in fact, requires) accrual of a net loss (that is, a loss in excess of deferred premiums) that probably will be incurred on insurance policies that are **in force**, provided that the loss can be reasonably estimated.

25-2 A **probable** loss on insurance contracts exists if there is a premium deficiency relating to short-duration or long-duration contracts.

25-3 Insurance contracts shall be grouped consistent with the entity's manner of acquiring, servicing, and measuring the profitability of its insurance contracts to determine if a premium deficiency exists.

Short-Duration Contracts

25-4 A premium deficiency shall be recognized if the sum of expected **claim costs** and **claim adjustment expenses**, expected **dividends to policyholders**, unamortized **acquisition costs**, and **maintenance costs** exceeds related unearned premiums.

25-5 A premium deficiency shall first be recognized by charging any unamortized acquisition costs to expense to the extent required to eliminate the deficiency.

25-6 If the premium deficiency is greater than unamortized acquisition costs, a liability shall be accrued for the excess deficiency.

Long-Duration Contracts

25-7 Original policy benefit assumptions for long-duration contracts ordinarily continue to be used during the periods in which the **liability for future policy benefits** is accrued under Subtopic 944-40. However, actual experience with respect to investment yields, **mortality**, **morbidity**, terminations, or expenses may indicate that **existing contract** liabilities, together with the present value of future gross premiums, will not be sufficient to do both of the following:

- a. Cover the present value of future benefits to be paid to or on behalf of policyholders and settlement and **maintenance costs** relating to a block of long-duration contracts
- b. Recover unamortized **acquisition costs**.

Pending Content:
Transition Date: (P) December 16, 2021; (N) December 16, 2023 Transition Guidance: 944-40-65-2
Original policy benefit assumptions for certain long-duration contracts ordinarily continue to be used during the periods in which the liability for future policy benefits is accrued under Subtopic 944-40. However, actual experience with respect to investment yields, mortality , morbidity , terminations, or expenses may indicate that existing contract liabilities, together with the present value of future gross premiums, will not be sufficient to do both of the following: <ol style="list-style-type: none">a. Cover the present value of future benefits to be paid to or on behalf of policyholders and settlement costs relating to a block of long-duration contractsb. Recover unamortized present value of future profits.

25-8 The premium deficiency shall be recognized by a charge to income and either of the following:

- a. A reduction of unamortized acquisition costs
- b. An increase in the liability for future policy benefits.

Pending Content:**Transition Date:** (P) December 16, 2021; (N) December 16, 2023 | **Transition Guidance:** 944-40-65-2

The premium deficiency shall be recognized by a charge to income and either of the following:

- a. A reduction of unamortized present value of future profits
- b. An increase in the liability for future policy benefits.

25-9 A premium deficiency, at a minimum, shall be recognized if the aggregate liability on an entire line of business is deficient. In some instances, the liability on a particular line of business may not be deficient in the aggregate, but circumstances may be such that profits would be recognized in early years and losses in later years. In those situations, the liability shall be increased by an amount necessary to offset losses that would be recognized in later years.

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